



LEASE PURCHASE – FREDDIE MAC 97/3

I. PROGRAM SUMMARY

PROGRAM DESCRIPTION	<p>The Lease Purchase - Freddie Mac 97/3 program provides enhanced affordability and homeownership opportunities to individuals that meet specified income requirements. Programs are offered through various regional housing and finance agencies throughout California, including:</p> <ul style="list-style-type: none">• East Bay Delta (Alameda, Contra Costa, San Mateo Counties)• California Cities Home Ownership Authority• Pacific Housing & Finance Agency• Riverside/San Bernardino Housing Finance Agency• San Diego Area Housing Finance Agency <p>The “Borrower” is actually the housing and finance agency designated. Borrower then leases subject property to the lease purchaser (future borrower) for approximately three years. The lease period provides time to learn about and prepare for the responsibilities of homeownership, and establish or re-establish credit. At the end of the lease period, the lease purchaser will be able to assume the lease-purchase loan if they have made timely lease payments over at least the last 24 months and have a FICO credit score of at least 620. The lease purchaser also takes advantage of the equity build-up that occurred during the lease period.</p> <p>The Lease Purchase program consists of two loans:</p> <ol style="list-style-type: none">1) A 97% (10-30 year, 7/1 or 10/1 ARM) LTV fixed-rate first loan2) A 3% CalHFA Mortgage Insurance Services Silent Second Loan Program (SSLP). The proceeds of the silent second can be used for the down payment and/or closing costs. The second loan has a simple interest rate, currently 3%, and a term of 30 years; however, payments on the second loan are deferred for the life of the first loan (see Repayment of Silent Second Loan below).
TARGET MARKETS	<p>This program is intended for renters who:</p> <ul style="list-style-type: none">• Do not have enough savings for down payment and closing costs• prefer to lease, while having an option to buy• have no established credit or impaired credit and cannot qualify for ‘A’ paper loans• need time to repair credit to qualify for a home loan

AGENCY PROGRAM ADMINISTRATORS	<ul style="list-style-type: none"> • <u>East Bay Delta:</u> Walter Zhovrehof, Ph:(415) 561-5600 x 123; Fax: (310) 732-1409 • <u>California Cities Home Ownership Authority:</u> Lorinda Johnson, Ph: (877) 949-9833; Fax: (909) 946-8818 www.ochoa.com • <u>Pacific Housing & Finance Agency:</u> David Elder, Ph: (310) 732-1497; Fax: (310) 732-1409 www.phfa.net • <u>Riverside/San Bernardino Housing Finance Agency:</u> John DeFalco, Ph: (800) 541-5010; Fax: (714) 738-8249 www.ournewhome.com • <u>San Diego Area Housing Finance Agency:</u> Kathy Stone, Ph: (858) 292-3300; Fax: (858) 292-5199 www.ahahousing.com • <u>California Community Housing Finance Agency</u> Lorinda Johnson, Ph: (877) 551-5400; Fax: (909) 946-8818 www.ochoa.com
PARTICIPATING LENDERS	<p><u>East Bay Delta:</u></p> <ul style="list-style-type: none"> • Bank of America • Fremont Bank <p><u>California Cities Home Ownership Authority:</u></p> <ul style="list-style-type: none"> • Marina Mortgage • Sea Breeze Mortgage • Chilton Lending • West Cal Mortgage • Sunstar Mortgage <p><u>Pacific Housing & Finance Agency:</u></p> <ul style="list-style-type: none"> • Desert Community Bank • Excel Funding • Genuine Home Loans • Marina Mortgage • Metrociti Mortgage • Provident Mortgage • Secured Bankers Mortgage Company <p><u>Riverside/San Bernardino Housing Finance Agency:</u></p> <ul style="list-style-type: none"> • Genuine Home Loans • Marina Mortgage • San Diego Funding • Chilton Lending • American Mortgage Express • Metrociti Mortgage • Provident Mortgage • Desert Community Bank

	<ul style="list-style-type: none"> • De Ore Home Loans • SDF Realty & Mortgage • First Financial Equities • Secured Bankers Mortgage • Excel Funding • Fremont Bank • Bank of America <u>San Diego Area Housing Finance Agency:</u> <ul style="list-style-type: none"> • Genuine Home Loans • Marina Mortgage • San Diego Funding • Chilton Lending • American Mortgage Express
BORROWER ELIGIBILITY	<p>Lease purchasers must meet all of the following requirements:</p> <ul style="list-style-type: none"> • Provide proof that they currently reside legally in the U.S. • Not own other residential dwellings • Occupy the property as their primary residence; non-occupant co-borrowers are not allowed
PROPERTY ELIGIBILITY	<p>Properties must meet the following requirements:</p> <ul style="list-style-type: none"> • Be a single-family dwelling (SFD), including approved condo/PUDs • Condo/PUDs-OK • Manufactured housing-OK <p>Properties not allowed include single or double-wide units and mobile homes.</p>
DOWN PAYMENT REQUIREMENTS	0%
BORROWER MIN. CONTRIBUTION	None; however, there may be a participation fee (typically 1% of purchase price).
TRANSACTION TYPE	Purchase transactions only.
MAXIMUM SALES PRICE	\$310,000
MAXIMUM LOAN AMOUNT	<p>First Loan: Up to FNMA conforming loan limits (currently \$300,700)</p> <p>Second Loan:</p>
INCOME LIMITS	Borrower's income cannot exceed 140% of the HUD median income for the area in which the borrower is purchasing.
MORTGAGE INSURANCE	<p>Mortgage insurance from CalHFA Mortgage Insurance Services is required on the first loan, as follows:</p> <p><u>CalHFA MI Plan #709 (all housing agencies, except San Diego):</u></p> <p>Coverage: 50%</p> <p>Cost: 95 bps</p> <p>Due: Monthly</p>

	<u>CalHFA MI Plan Code #711 (San Diego):</u> Coverage: 50% Cost: 145 bps Due: Monthly
SELLER CONTRIBUTIONS	Seller contributions are acceptable, up to 3% of the sales price; must be used for non-recurring closing costs only.
BUYDOWNS	None allowed.
REPAYMENT OF MORTGAGE INSURANCE SERVICES SILENT SECOND LOAN PROGRAM (SSLP)	<p>Payment of principal and interest on the CalHFA Mortgage Insurance Services silent second loan is due when:</p> <ul style="list-style-type: none"> • The first Note and Deed of Trust become due and payable; • The first Note and Deed of Trust loan is paid in full; • The first Note and Deed of Trust is refinanced; • The property is sold; • Until and in the event of the formal filing and recording of a notice of default, unless rescinded, OR • If the property is no longer occupied as a principal residence by the borrower. <p>Upon the occurrence of any of the above, the entire principal and interest on the loan is due and payable. Prepayments will first be applied to interest owed, then to principal. Prepayment penalties are not permitted.</p> <p>CalHFA Mortgage Insurance Services second loans are not assumable.</p>
PURCHASE OF CALHFA MORTGAGE INSURANCE SERVICES SILENT SECOND LOAN - PROCESS FLOW	Refer to CalHFA Mortgage Insurance Services Bulletin #02-2002 for loan delivery and purchase information www.calhfa.ca.gov/insurance/resources/bulletins/2002.htm
MAXIMUM AVAILABILITY	<ul style="list-style-type: none"> • East Bay Delta - \$90 MM of first loans; \$2.7 MM of second loans • Riverside/San Bernardino - \$65 MM of first loans; \$1.95 MM of second loans • California Cities - \$55 MM of first loans; \$1.65 MM of second loans • Pacific Housing - \$20 MM of first loans; \$0.6 MM of second loans • San Diego - \$75 MM of first loans; \$2.25 MM of second loans • California Communities- \$25 MM of first loans; \$0.75 MM of second loans

II. UNDERWRITING CRITERIA

MINIMUM FICO SCORE	Borrowers must have a minimum FICO credit score of 580, or greater, or 12 months of rent verification.
RATIOS	A back-end total debt-to-income ratio cannot exceed 45%.
CASH RESERVES	None required.
BORROWER EDUCATION REQUIREMENT	<p><u>For All Clients:</u> All lease purchasers must be knowledgeable of the process for obtaining and maintaining a home, before lease signing. This requirement may be satisfied through a home study course.</p> <p><u>For Clients with A FICO Score below 620:</u> Must complete a comprehensive, classroom course before lease begins or within first 12 months. Certification is required that the homebuyer education has been completed. A copy of the education certificate must be included in the loan package.</p>
SUBORDINATE FINANCING/SILENT SECOND LOAN	CalHFA Mortgage Insurance Services will fund the 3% silent second loan. Since loan repayment is deferred, the repayment is not included in the qualifying ratios.
OTHER GUIDELINES	Refer to Freddie Mac Lease Purchase Underwriting Guidelines (July 2002).
CALHFA MORTGAGE INSURANCE SERVICES QUESTIONS	Contact Joe Lenihan, 916.322.8936

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. Lenders will need to refer to investor guidelines for specific underwriting and compliance issues. Lenders should be aware that CalHFA Mortgage Insurance Services' underwriting guidelines are for mortgage insurance only, and not necessarily the same as restrictions imposed by the investor. The more restrictive guidelines apply. This program description is subject to change from time to time without prior notice.

11/03